



**Charter of
the Audit Committee of
H. Lundbeck A/S**

26 November 2018

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1. Introduction and purpose

The Audit Committee is a committee of the Board of Directors that has been established to assist with the oversight of:

- a. the external auditors
- b. the internal compliance functions
- c. legal matters
- d. enterprise risk management (ERM) and internal controls¹
- e. accounting treatment and financial reporting
- f. tax and treasury
- g. insurance coverage
- h. general matters

2. Membership

The Audit Committee shall consist of no less than three and no more than five members of the Board of Directors. Members of the Audit Committee shall be appointed by the Board of Directors, usually at the Board of Directors meeting following the Annual General Meeting. Members are appointed for a one-year term.

The Board of Directors shall define the principles for reappointment of members of the Audit Committee. The Board of Directors may reappoint any member of the Audit Committee at any time, provided that the nomination for such reappointment has been reviewed and approved by the Board of Directors. The Board of Directors can remove any member of the Audit Committee at any time.

Notwithstanding any vacancy in the Audit Committee, the continuing members of the Audit Committee may act so long as the number of members does not fall below two for a period exceeding three months.

The members of the Audit Committee shall elect a chairman of the Audit Committee, who is not an employee of the Group or any related corporation and whose nomination as chairman has been reviewed and approved by the Board of Directors. The chairman of the Board of Directors cannot be the chairman of the Audit Committee.

Each member of the Audit Committee shall hold office until the next Annual General Meeting following that member's appointment or reappointment. The retiring chairman and other members of the Audit Committee shall, subject to the provisions of the preceding sections, be eligible for reappointment.

At least one member of the Audit Committee shall in accordance with applicable Danish law have competencies in accounting and/or auditing. The members of the Audit Committee shall between them have the expertise and experience relevant to the healthcare industry.

Each member of the Audit Committee shall qualify as independent as defined by the Danish Corporate Governance Code.

3. Meetings and attendance

The Audit Committee shall meet as often as it deems necessary; however, no less than three times per year. Any member of the Audit Committee may call a meeting. Attendees should be limited to those familiar with or responsible for the topics on the agenda. The CFO, the SVP of Group Finance and the person responsible for financial compliance reviews shall attend all Audit Committee meetings. The CFO shall give a verbal update on relevant matters. The external auditors shall attend one meeting per year and when the Audit Committee deems it

¹ Review of internal controls, risk management and procedures established by the Management to mitigate risk in connection with inspections and GxP-audits by e.g. the FDA and Lægemiddelstyrelsen is not part of the Committee's responsibilities.

necessary. The external auditors shall conduct a separate meeting with the Audit Committee in which management does not attend.

Meetings shall be convened at no less than eight days' written notice to all members of the Audit Committee and such notice shall include an agenda for the meeting in question. Any written material relating to the individual agenda items shall, to the extent possible, be forwarded to the members together with the notice convening the meeting.

Minutes of the Audit Committee meetings are kept and forwarded to the members for approval.

Under special circumstances, a committee resolution may be passed over the phone or in writing. In such cases the proposed resolution shall be forwarded to the members, and the chairman shall subsequently seek to obtain written, oral or electronically transferred statements from all members of the Audit Committee and arrange for the recording of the resolution in the minute book.

No business shall be transacted at a meeting unless at least two members are present. The chairman of the Audit Committee, if present, shall preside at all meetings. If the chairman is absent, the members present at the meeting shall elect a chairman to preside at the meeting.

The Audit Committee shall have full access to and cooperation by Management and the external auditors, and have full discretion to invite any director or employee to attend meetings.

4. Responsibilities

The function and responsibility of the Audit Committee are to assist the Board of Directors in its oversight responsibilities within the areas of oversight, cf. section 1, and on the basis hereof present recommendations to the Board of Directors. The Audit Committee shall have the following responsibilities:

a. External auditors

Oversee the process, including any required tender process, for identifying an external auditor to be elected at the Annual General Meeting and to present for the Board of Directors' approval the nomination of a firm or firms for appointment as the Group's external auditors, or whenever there is a vacancy in the office of the auditor and if relevant, recommend to the Board of Directors that the Board of Directors proposes to the Annual General Meeting that an external auditor be discharged.

Oversee the external auditors' plan, scope and audit approach and review the external auditors' reports to the Board of Directors, including long-form reports, result of the statutory audit, reports on internal controls, and schedule of audit differences.

Establish policies and procedures governing services provided by any of the Big Four audit firms, covering audit services and permitted non-audit services in compliance with Danish and EU law.

Review and approve the basic audit charges on the basis of the audit plan for the coming year prepared by the external auditors. Follow-up on and review the split between the external auditors' audit fee and non-audit related fees for the previous year.

At least annually, assess the competencies, performance and independence of the external auditors. Obtain and review a report from the external auditors that describes internal quality-control procedures and issues raised in internal quality reviews or by authorities and the actions taken, and that substantiates the independence of the external auditors.

b. Internal compliance functions

Review and approve the annual financial compliance review plan. Review the effectiveness of the Code of Conduct compliance structure, covering risk assessment, policies and procedures, training, monitoring and governance.

Ensure that the internal compliance functions are adequately resourced and continues to have appropriate standing within the Group, and that its staff meet objectivity requirements.

Oversee that the established Compliance Hotline process enables Lundbeck employees or externals worldwide to report in confidence any legal or serious financial or reputational concerns and that such reports are investigated in accordance with Lundbeck's procedures.

Review report on significant issues, the summary of reported material liability issues, including material breaches of Lundbeck's Code of Conduct and the conducted investigations and their outcome, that could potentially have a financial or reputational impact on Lundbeck.

c. Legal matters

Review the summary of reported material liability issues, including material lawsuits, claims and governmental investigations, that could potentially have a financial or reputational impact on Lundbeck.

d. Enterprise risk management (ERM) and internal controls

Consider and review internal controls, ERM systems and the non-GxP compliance structure and on behalf of the Board of Directors asses the adequacy of the internal control framework, including accounting controls, on the basis of input from the external auditors, enterprise risk management and compliance functions.

At least semi-annually, review the results from the ERM process.

e. Accounting treatment and financial reporting

Review the reporting from Group Finance regarding financial statements, full year and interim reports and other significant financial announcements.

Review any changes in accounting policies to determine the appropriateness of the accounting policies and financial disclosure practices. On a yearly basis, review the consistency of the accounting policies as well as any significant new accounting policies. Review the accounting treatment of significant one-off transactions (M&A activities, restructuring etc.).

Monitor the financial reporting process, legislation and rules governing the securities markets and make recommendations or proposals to safeguard integrity.

Review the Statutory Corporate Governance Report for the fiscal year, cf. section 107b of the Danish Financial Statements Act.

f. Tax and treasury

Review the tax and treasury policies, tax and treasury reports, tax memo for the fiscal year and the status on tax inspections, current and closed.

g. Insurance coverage

Review the insurance coverage by assessing annually the appropriateness of the insurance coverage regarding property, business interruption, product liability, etc.

h. General matters

In addition to responsibilities stated in the sections above, it shall be within the responsibilities and power of the Audit Committee to investigate any matter within the scope of its responsibilities brought to its attention and to obtain independent professional advice. The Audit Committee shall also assist the Board of Directors with ad hoc matters. The Audit Committee may call any member of staff to be interviewed at a meeting of the Audit Committee as and when required.

5. The chairman's responsibilities

On a regularly basis, provide the Audit Committee with an update on matters relevant to the Audit Committee. Upon the request from the external auditors, convene a meeting of the Audit Committee to consider any matters the external auditors believe should be brought to the attention of the Board of Directors.

On a regularly basis, inform the Board of Directors of discussions in the Audit Committee. Upon the request from the Board of Directors, all material presented to or prepared by the Audit Committee shall be available to all members of the Board of Directors. Minutes of the Audit Committee's meetings shall be distributed to the members of the Board of Directors.

Annually, review and approve the expenses of the chairman of the Board of Directors.

On an annual basis, conduct a self-evaluation of the Audit Committee's performance with respect to the agreed responsibilities as described in this Charter and review the Audit Committee's annual wheel.

6. Written or circulating resolution

Any resolution in writing that has been signed or assented to by all the members of the Audit Committee present in Denmark (a minimum of two members must be present in Denmark) shall be as valid as if it had been passed at a meeting of the Audit Committee duly called and constituted and may consist of several identical documents each signed by one or more of the members of the Audit Committee. The expressions "in writing" and "signed" include approval by e-mail by any such member of the Audit Committee.

7. Amendments

The provisions of this Charter are subject to such revisions by way of modification, addition or otherwise that the Board of Directors may from time to time consider appropriate in so far as such revisions are consistent with the provisions of the Companies Act. The Charter shall be renewed and changed if it is considered necessary. Significant changes and additions shall be presented to the Board of Directors for approval.

Approved at the Audit Committee meeting 26 November 2018

Approved at the Board of Directors meeting 4 December 2018